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CENTRAL INTELLIGENCE AGENCY

REPORT

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1. The National Corporations described in this report might better be called Privileged Companies (Vysadni Spolecnost) in order to differentiate them from the National Corporations (Narodni Podnik) which are engaged exclusively in production. The following were permitted to engage in foreign trade.

Chemapol
Skloexport (glass)
Keramika
Oleaspol
Centrotex
Hops & Malt
Metrans
Cellulose
Exico
Magnazit
Metalimex

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Poldi
Koospol
Centrokemes
Ko-h-iner
Ferromet
Sutrex
Doly (Mines)
Kovo
Ligna
Tabako
Merkuria

2. There are two types of individuals who act in behalf of a Privileged Company: a delegate and a representative. The latter is often an individual or firm indigenous to the country with which Czechoslovakia is doing business. This individual or firm acts as part or full-time representative of the Czechoslovak company. A delegate, however, must be a native-born Czechoslovak citizen and his political reliability is far more important than his professional qualifications. The process for selecting such a delegate is as follows (Kovo is used as a typical Privileged Company):
- (a) A foreign post to represent Kovo must exist.
 - (b) Kovo selects an individual with the appropriate professional qualifications to fill the post and sends his name to the Cadre Section of the Ministry of Foreign Trade. At the same time the name is submitted to Vice Minister I, who is in charge of supervising the foreign commercial activities of the Privileged Companies.
 - (c) The Cadre Section then runs an investigation of the individual's personal life and background and of his political past.
 - (d) In the case of Kovo, approval for the individual must also be obtained from the Ministry of Heavy Industry.
 - (e) The results of the investigation in (c) are sent to the Cadre Section of the national KSC organization. Then the entire case is turned over to the Ministry of National Security for review.
 - (f) The Cadre Section of the national KSC organization makes a decision on the basis of the review and sends the decision to the Ministry of Foreign Trade.
 - (g) The Privileged Company requests the Ministry of Foreign Trade to procure a passport. The latter in turn requests a passport from the Ministry of Foreign Affairs. (It usually takes at least a month to obtain a passport.)
 - (h) With the passport in hand the delegate makes application to the consular official of the country in question for a visa.

This process requires at least six months.

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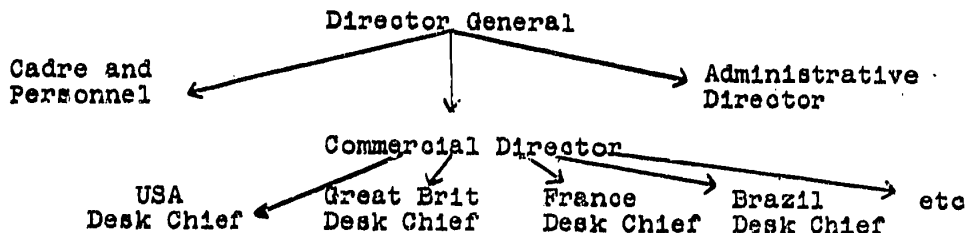
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3. Merkuria is the most important of the Privileged Companies. In dealing with the West, Czechoslovakia uses three types of trade arrangement as distinguished from outright purchase. These are compensation, reciprocal trade and "junktim". Whenever any of these is used, Merkuria does all the negotiation and coordination before any contracts are signed. Merkuria thus is an administrative organization standing between the export-import firm in the West and the Privileged Company in Czechoslovakia. [] Merkuria has no dealings with Satellite nations.
4. The organizational set-up, which is somewhat similar to a section of the Ministry of Foreign Trade, is as follows:

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For each country in the West there is a Desk Chief who has a small staff and his files. [] not believe Merkuria has any representatives in the field; if a Merkuria man is sent out, it is only for a few days and usually to another country in Europe.

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5. An example of Merkuria's role in foreign trade follows. Assume that an item in the 1951 import plan calls for 100 thousand Kcs worth of sisal, to be obtained via a compensation deal. Assume further that Merkuria received an offer from an export firm in [] to deliver a certain amount of sisal, to be traded against some other commodity, e g glass. The following ensues:

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(a) Merkuria informs Centrotex that an offer has been made by a certain firm in [] to deliver sisal. Centrotex instructs its representatives in [] to inspect the sisal for quality. Centrotex of course knows of the 1951 plan to import 100 thousand Kcs worth of sisal.

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(b) Merkuria informs Skloexport of the name of the [] importer and the amounts and types of glassware desired. Can Skloexport deliver the required items within a given time?

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(c) If Centrotex is satisfied with the quality of the sisal, Merkuria, in consultation with Skloexport, makes an offer to the [] importer of a given quantity of glass of a given type as compensation for the sisal.

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- (d) If the [] exporter agrees to the plan, Merkuria compiles a summary and presents it to the Ministry of Foreign Trade for consideration. The summary contains:

Total value of the goods in the transaction

Amount to be imported into the CSR, weight and value

Exchange balance

Amount of glass to be exported, weight and value

Exchange balance

There is a standing directive which states that Merkuria should attempt wherever possible to export sufficient goods (in this case glass) over and above that required in the compensation deal to cover that portion of the transportation costs which the CSR is required to pay.

- (e) A copy of the summary is also sent to the Statni Banka. The summary is considered by a commission composed of representatives from:

Ministry of Foreign Trade - Three

One from Territorial Section

One from Vice Minister I (Privileged Companies)

One from Plans Section

Statni Banka - One

Merkuria - One

The commission renders a decision as to whether contracts should be signed.

- (f) Merkuria concludes a general agreement with the [] firm. Following this, Skloexport signs a normal contract with the [] importer (if the exporter and importer are different firms) and Centrotex signs a contract with the [] exporter for the delivery of sisal.

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6. From the preceding remarks it is easily seen that Merkuria is in a pivotal position with regard to trade between Czechoslovakia and the West, since Czechoslovakia prefers to import goods via one of the three trade arrangements mentioned rather than by outright purchase.

7. Kovo has a plant in [] the firm had been almost completely dissolved. It should not have taken more than six more months to complete the dissolution. The former director, Kantor, was recalled to Prague in 1950 and released from his position. He later escaped from Czechoslovakia.

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